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THE Agricultural Situation

ANNUAL OUTLOOK ISSUE

NOVEMBER 1954

Volume 38, Number 11

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U. S. DEPT.

Prospects For Farmers In '55

THE ECONOMIC situation for farmers generally in 1955 is expected to be much the same as during the present year. Prices farmers receive for their products next year are expected to average close to levels prevailing this fall. And cost rates, or prices paid by farmers, will continue next year not far from recent levels.

Such is the consensus of economists in the *Agricultural Marketing Service*, after a careful analysis of supply and demand conditions—which, of course, includes a measuring or weighing of consumer income and purchasing power as well as the prospective large volume of farm products to be offered for sale. An important part of the analysis, also, has been the stimulating effect on consumer purchasing power and business investments of reduced income taxes, put into effect last January, and the recent increases in unemployment compensation payments.

The U. S. market for the products of the farm is expected to be about as good next year as in 1954, and there is considerable likelihood that exports

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will increase. It seems likely that demand conditions for farm products—including both domestic and foreign demands—will be at least as good in 1955 as this year.

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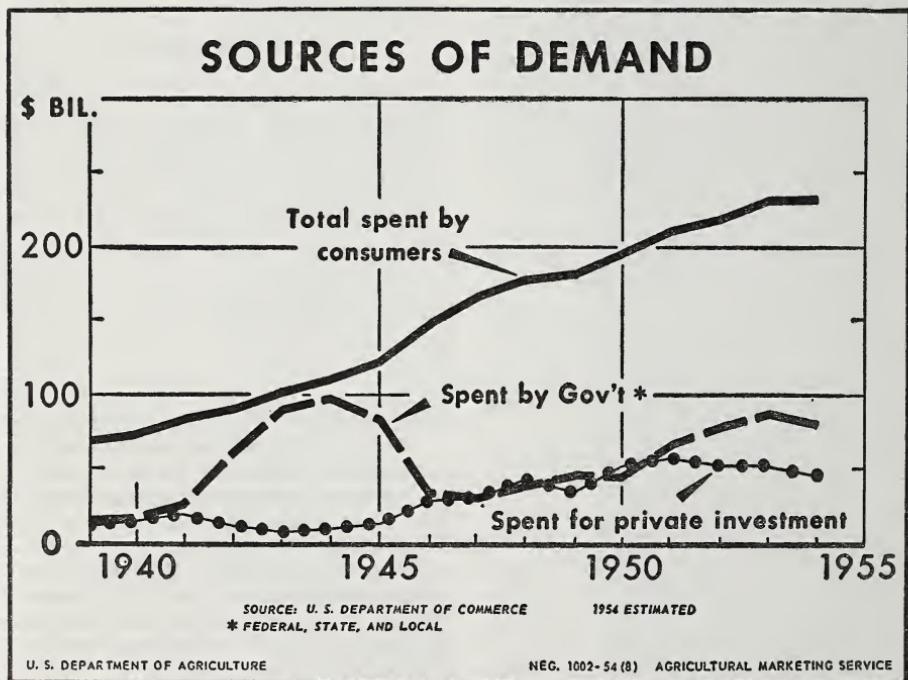
THE AGRICULTURAL SITUATION is a monthly publication of the Agricultural Marketing Service, U. S. Department of Agriculture, Washington, D. C. The printing of this publication has been approved by the Director of the Budget (January 18, 1952). Single copy 5 cents, subscription price 50 cents a year, foreign 70 cents, payable in cash or money order to the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.

Supplies of farm products will continue large in 1955. Further acreage restrictions on wheat and cotton will, with average weather, reduce production of these crops. Large carryover stocks of cotton, and perhaps of corn, for the most part under CCC ownership or loan, will likely be reduced during the current marketing season. However, the alternate uses of acreages diverted from wheat and cotton, and continued high rates of output of most livestock and livestock products indicate that agricultural production next year may total almost as large as in 1954, when drought has been widespread.

With smaller wheat and cotton allotments, cash receipts from farm marketings in 1955 may be somewhat under

the 30 billion dollars received in 1954. The support level for 1955 crop wheat also will be moderately lower than this year. But farm production expenses may be reduced further, reflecting lower outlays for labor and other operating expenses. Feed costs may also be somewhat lower, if pastures are good next year. On balance, farm operators' realized net income in 1955 should approach that of 1954.

Economic activity in the Nation has been quite stable so far in 1954 at a level slightly below the record year 1953. Total outlays by consumers, business and Government showed some decline in the second half of 1953 but stabilized in early 1954, averaging some 3 percent lower in the first 9 months of this year than in the same period in



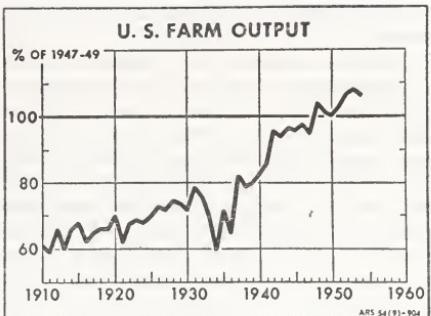
Look especially at the chart from 1949 on. Substantially increased Government defense activity and larger business investment outlays following the outbreak in Korea gave rise to higher employment and expanded consumer income and spending. From the peak in mid-1953 defense spending declined 18 percent by mid-1954, and, according to the September Budget Review, may decline further, but at a slower rate, over the coming year. The decline was partly offset by a continued rise

in expenditures by State and local governments. Business investment outlays for both inventories and new plant and equipment also have declined since late 1953. However, high construction activity moderated the decline in total investment demand. With the cut in incomes taxes in January 1954, consumer disposable income has been at record levels despite some decline in employment. Next year, there is little to suggest much change in total expenditures.

1953. Nonfarm employment has gone slightly down from year-ago levels. Unemployment, which rose last winter, has since stabilized and declined some. Wholesale and retail prices have held steady on the average during the year.

The mild reduction in economic activity from a year ago reflects a shift from building up business inventories to reducing them and a substantial decline in Government expenditures for national security programs. There were some significant offsets to the sharp reduction in Federal expenditures: the continued rise in State and local expenditures for schools, highways, and other public construction; a growing housing boom; and an increase in consumer expenditures, particularly for food and services, even though expenditures for some durable goods such as automobiles were reduced. Despite lower payrolls, the level of consumer incomes, after taxes, has been maintained at record rates mostly due to the reduction in income taxes last January and the offsetting effect of unemployment compensation payments. Consumers have continued to spend 25 percent of their disposable income for food, the same percentage as a year ago.

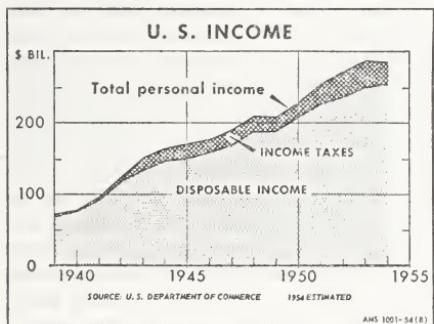
For 1955, economic activity and the flow of income to consumers is likely



to run at least at current rates. While Government expenditures for national security purposes are scheduled for further reduction in 1955, according to the Budget Review issued in mid-September, this reduction is likely to be much smaller than in the past year. The continued rise in State and local government expenditures will be a strong offset. It should be kept in mind that changes in the international situation could well influence the trend and level of defense expenditures.

Business investment in new plant and equipment has been gradually declining through 1954. Planned expenditures for this purpose in the fourth quarter of 1954 are 3 percent smaller than in the third quarter (after seasonal adjustment). This trend may well continue into 1955, in view of the substantial expansion in industrial facilities which has occurred in recent years. However, rapid technological developments, strong demand for cost-reducing machinery and certain aspects of new tax legislation designed to encourage investment may hold business capital expenditures in 1955 fairly close to current levels. High level residential construction activity seems likely to continue during 1955, reflecting easier credit terms under recently enacted legislation. Total business inventories have been reduced about 4 percent over the past year. With consumer and other final demands expected to hold up well, the effect of inventory liquidation will likely diminish over the months ahead.

In view of these prospects, consumer incomes and consumer spending are expected to remain fairly stable and may increase some. The domestic demand for food and other farm products



This chart shows that U. S. disposable income (money to spend after taxes) is now record high. After mid-1953, national output, factory employment and the length of the work week declined and total personal income, which had been at a 288-billion dollar peak (annual rate) in mid-1953, slipped off to a rate of around 285 billion dollars in mid-1954. But with the tax cut in January 1954, incomes after taxes (disposable income) were at record levels by mid-54 and are expected to hold at or above current record levels during 1955.

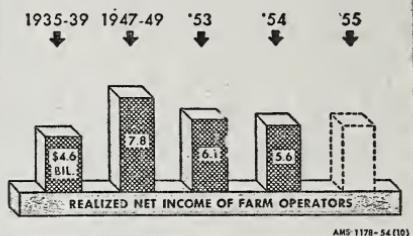
should continue at least as good as in 1954.

Foreign demand for United States farm products may well show some improvement from the reduced level of the last 2 years. Foreign gold and dollar holdings have been substantially increased. Dollar shortages in some countries abroad, which have tended to restrict foreign purchases of United States farm products, will likely be less restrictive than for some time. Foreign supplies of some major farm products are smaller this year than last. Furthermore, the new legislation—The Agricultural Trade Development and Assistance Act of 1954—will encourage increased movement of major export farm products abroad. Exports of cotton, tobacco and wheat will each probably show some improvement in the current season as compared with 1953-54. Exports of fats, oils and oil-seeds in 1954-55 will likely continue heavy. The value of United States agricultural exports in 1954-55 may rise ten percent, or perhaps more, from the 2.9 billion dollar level of 1953-54.

Prices received by farmers in 1954 are showing the smallest year-to-year decline since 1951—averaging some 3 percent lower so far this year than in the same period a year ago. Similarly, the parity ratio in 1954 is also showing the smallest reduction in 3 years—averaging close to 90 in the first 9 months compared with 93 in the same period in 1953.

Most of the large carryover of crops is held by CCC under price support programs, and prices of several important farm products will continue to be supported in 1955. The Agricultural Act of 1954 provides for flexible price supports at from 82½ to 90 percent of par-

Farm Income in 1935-39 Dollars



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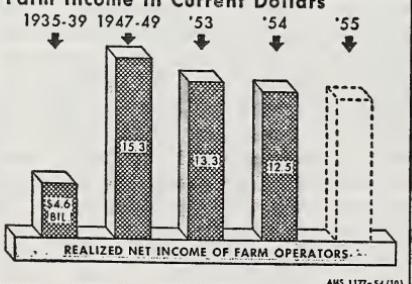
Since the dollar today doesn't buy as much as it did before World War II, we have drawn this second farm income chart on the basis of the 1935-39 dollars. In this way we can compare farmers' realized net income in terms of purchasing power, and we find that although there has been a decline from the high levels reached during the war, the total is still well above 1935-39. Note that total realized income of farmers is shown here—not the average per farm operator. If the average per farmer were shown in the charts, the increase as compared with prewar would be even greater, since we have more than a million fewer farmers than in 1935-39. Realized net income of the average farmer in 1954, in 1935-39 dollars, is about \$1,030 or 47 percent more than the \$700 average in 1935-39.



ity for wheat, cotton, corn, rice, and peanuts. The Law continues supports for most types of tobacco at 90 percent of parity. The Act also directs that dairy product price supports continue at 75 to 90 percent of parity. The supply provisions of the Act indicate that the support price for the 1955 cotton crop is likely to be at 90 percent of parity. The support price for 1955 crop wheat has been set at 82½ percent of parity. The preliminary loan rate established for wheat is \$2.06 per bushel compared with \$2.24 for the 1954 crop.

Prices paid by farmers for machinery, equipment, and other industrial products are expected to continue near current levels. Interest and tax charges on farm real estate will rise further. Farm wage rates declined slightly from 1953 to 1954 and the easier farm labor situation may well continue. Prices paid for fertilizers are also running slightly lower than a year ago.

Farm Income in Current Dollars



A Stronger Foreign Market In Prospect

THE FOREIGN market for farm products has strengthened over the past year and some further improvement is expected in the coming year. Exports of agricultural products totaled 2.9 billion dollars in 1953-54, up 4 percent from a year earlier and prospects for 1954-55 suggest a further increase—probably 10 percent or more.

The export market for farm products currently takes somewhat less than a tenth of total farm output. But for some major farm products export outlets take a substantial proportion of total production and thus influence materially prices and incomes farmers receive from these products. For example, in 1953-54 exports of rice accounted for about 45 percent of the 1953 crop; cotton and tobacco exports took nearly a fourth of the crop; and exports of wheat, soybeans, and lard accounted for approximately a fifth of production.

As the post-Korean inflationary upsurge in foreign demand subsided and production increased, U. S. exports of farm products fell off abruptly in the latter part of 1952. In 1952-53 they totaled nearly a third below the record 4.1 billion dollars a year earlier. Much of this decline occurred in Europe, our major foreign market, as production there increased and as stocks there were not maintained in an effort to conserve limited dollar exchange. But U. S. farm production continued at a record clip resulting in a rapid buildup in our stocks of wheat, cotton, corn, manufactured dairy products, and some oils.

Reasons for Bright Outlook

The moderate gain in farm exports during the past year reflected not only a generally stronger foreign demand situation but the reduced supplies of cotton abroad, also the acceptance by

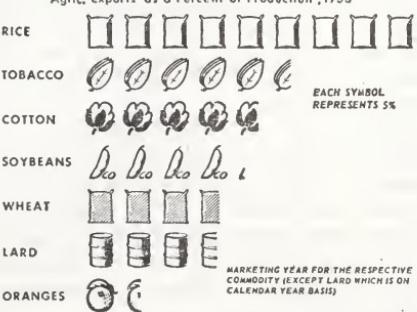
the U. S. Government of foreign currencies in payment for exports of surplus agricultural products. Exports in 1954-55 may increase 10 percent, or possibly more, above 1953-54. This expectation is based on prospects for a continued high level of foreign economic activity, a further rise in foreign holdings of gold and dollar assets, smaller foreign supplies of some major farm products relative to increased consumption levels, and a U. S. Government program designed to expand foreign markets for U. S. farm products in large supply.

Foreign holdings of gold and dollar assets have continued to rise over the past year and in mid-1954 totaled 23.7 billion dollars, about 2.4 billion larger than a year earlier. Most of this gain occurred in Western Europe and the Sterling Area where U. S. economic assistance and military expenditures were largest. Canada's dollar exchange position also continued to improve but the financial position of Latin American and most Asian countries worsened to some extent during 1953-54. General improvement in the reserve position of European countries has permitted a relaxation of government controls affecting prices and purchases in domestic trade and further progress in relaxing restrictions on the use of gold and dollar exchange.

Increased economic activity and high incomes in foreign countries are also strengthening demand for U. S. farm products. Industrial production in Western Europe during the first half of this year was 8 percent above a year earlier and has advanced about 7 per-

MANY U. S. FARMERS HAVE A STAKE IN EXPORT MARKET

Agric. Exports as a Percent of Production, 1953



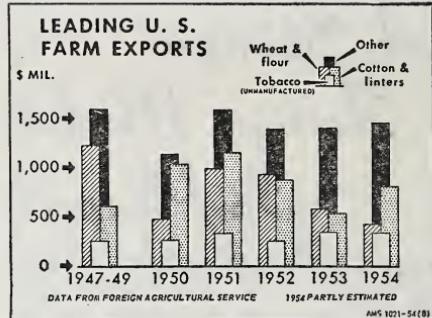
cent a year over the past 2 years. This increase in activity has contributed to rising incomes and increased needs for expanding consumption, for inventory replenishment and for increased investment.

Provisions of the Agricultural Trade Development and Assistance Act of 1954 will provide an added stimulus to exports of farm products. Friendly nations are to be given an opportunity under this Act to buy surplus commodities from the United States. Surplus farm products acquired by the CCC, and under some conditions those held by private dealers, are to be made available for sale. Although CCC funds and assets are to be used to finance the sale and export of surplus commodities, the goods actually would be exchanged for foreign currencies, which could be used in a number of ways by our Government in carrying out overseas commitments. The CCC is also directed in this legislation to make surplus agricultural commodities available to the President for transfer to friendly nations in order to meet famine or other relief requirements. Appropriations authorized for transactions carried out under the above provisions of the Act are limited to a billion dollars for a 3-year period.

Provisions of the Mutual Security Act of 1954 provide additional authority for the movement of surplus farm products abroad. At least 350 million dollars of the funds authorized under this Act are earmarked to finance the sale of agricultural surpluses to participating countries for foreign currencies.

Major Export Items

Exports of cotton in the 1953-54 marketing year totaled 3.8 million bales, about a fourth larger than a year earlier. Shipments may increase another $\frac{3}{4}$ million bales in the current marketing year. In addition to a favorable demand picture, foreign supplies of cotton are expected to be a little smaller compared to increased foreign cotton consumption. U. S. supplies of cotton are larger and prices of some foreign growths are now competitive with comparable prices for American Upland cotton.



Soybean production this year is estimated at about a fourth larger than last year and exports are likely to again be large. Lard supplies will be larger and prices lower than in 1953-54. The CCC is expected to continue to make foreign sales of flaxseed, linseed oil, and cottonseed oil at competitive world prices. With large supplies and comparatively low prices, exports of tallow and greases also are likely to continue near peak levels.

In 1953-54 exports of U. S. wheat totaled almost a third below a year earlier. Shipments in the coming year are expected to rise possibly as much as a sixth from the relatively low levels in 1953-54. Export programs may aid in moving some U. S. wheat in excess of normal foreign purchases. With record domestic supplies of rice, exports are expected to reach an all-time high in 1954-55.

Shipments of tobacco are expected to pick up a little more in the coming year. United Kingdom stocks of U. S. tobacco are relatively low in comparison with increased consumption. Prices of many flue-cured grades also are a little lower this season.

Exports of fresh fruits and fruit products in 1954-55 are likely to exceed this year and be the largest since 1946. We have larger supplies of citrus, apples, and dried prunes available for export. Canada is expected to take more citrus. Generally improved financial conditions in Europe and reduced citrus production in prospect in the Mediterranean area point to a somewhat stronger European market for fruit.

Rex F. Daly
Agricultural Marketing Service

Looking Ahead At The Farm Cost Picture

TOTAL FARM PRODUCTION EXPENSES are slightly lower this year than they were in 1953. The 1955 outlook is for some further decline in farm production expenses. Nevertheless, farm production expenses will still be more than three times as high in 1955 as in 1940.

Farm cost rates changed little from 1953 to 1954. Wage rates and prices of seed, fertilizer, and farm supplies were down slightly. Prices of feed and building materials averaged about the same. Those of livestock and motor supplies were a little higher. List prices of farm machinery were up slightly, but frequently somewhat larger discounts and trade-ins were available.

Farm cost rates expected in 1955 relative to 1954 are as follows: Farm wage rates, interest rates, seed, and feeder and replacement livestock, slightly lower; farm machinery, motor fuel, building and fencing materials, feed and fertilizer, about the same; real estate taxes, and tires, slightly higher.

Since 1952, when expenses reached their peak, prices of farm-produced expense items such as feed, seed, and livestock have moved down. Interest rates and taxes increased slightly. Factory-produced cost items have changed little or have moved up. With business conditions at a reasonably high level, there is little reason to expect significant price changes in industrial items next year.

Cash costs of farming have increased substantially in recent years. Farm production expenses of U. S. farm operators will be approximately \$4.4 billion or about a fourth higher this year than in 1947. The increasing use, together with higher prices, of goods and services *not* produced on the farm, is largely responsible for this increase in total farm production expenses.

Requirements of commercial agriculture are expected to cause total production expenditures to remain high in 1955. Although lower incomes have encouraged and will continue to encourage farmers to watch their expenditures carefully, many who plan to

1950-53 Compared with 1937-41

CHANGES IN PURCHASED INPUTS

TYPE OF FARM

Dairy,
Central Northeast

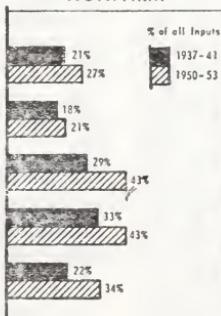
Hog-beef fattening,
Corn Belt

Wheat-small gr.-livestock,
N. Plains

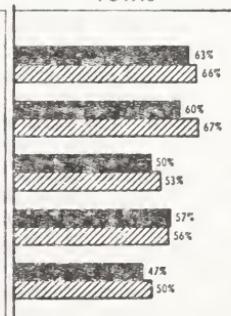
Cotton,
S. Piedmont

Cattle Ranches,
N. Plains

NONFARM



TOTAL



adjust their operations to bring about lower costs over a period of years will need to continue a reasonably high level of investment for the next few years.

Relationships among the cost rates of major items used in production have changed considerably since the late thirties. Farm wage rates, for example, have increased more than 300 percent. Fertilizer prices have increased only 50 percent. Most of the changes in relationships between important cost rates took place during and immediately after World War II. Since 1947, relative changes have been much less significant. Prospective changes in 1955 are relatively small.

Prospective cost changes for the next year are always of interest. But it should be recognized that for most farmers this is often not the nub of the question. Farmers who buy machinery, for example, are thinking about the next 5 to 10 years. Decisions concerning the hiring of labor frequently are knit into a production plan which extends over a number of years. These changes in farm plans often lag behind changes in technology and in current economic conditions. Consequently, the interests of farmers frequently center on how cost relationships have changed over a period of years, whether they are likely to change back, and what adjustments to technological developments appear to be desirable.

"City-Made" Items Play Big Part

Farmers are becoming more dependent upon manufactured equipment and supplies in their farming operations. Machinery, motor supplies, fertilizer, spray materials, and electricity are among the things that farmers now use in larger quantities. In 1937-41 such items represented from 18 to 33 percent of total farm costs on the 5 types of farms illustrated in the accompanying chart. By 1950-53 these items had become relatively more important and comprised from 21 to 43 percent of total costs. These comparisons are in terms of constant prices. Therefore, changes in cost rates do not affect these changing proportions.

Items used in production that are largely farm-produced, such as livestock and feed and seed increased also, but the combined increase in these

items was more than offset by a decrease in hired labor requirements. As a result, the ratio of all purchased goods and services to total costs, at constant prices, has increased only slightly on most types of farms illustrated.

Year-to-year variation in prices of items from nonfarm sources are small. Prices of farm-produced items and hired labor are more flexible. They usually vary with prices received by farmers. Thus, with a continued increase in the proportion of production items that come from *nonfarm* sources, the structure of farm operating costs becomes more rigid. In the future, consequently, variations in cost rates may not be as closely related to prices received by farmers as in the past.

In 1950-53, inputs from nonfarm sources, other than hired labor, made up 43 percent of total inputs on wheat farms in the northern Plains and on cotton farms in the southern Piedmont. These two types of farms also are among those for which the increase from 1937-41 to 1950-53 in the proportion of *nonfarm* inputs was greatest. Although the rate of increase may have slowed up somewhat, there is no indication that it has stopped.

Factory-produced items are expected to play an even more important role in farming operations in the future. Trends on these farms provide a further indication that the structure of total farm operating costs may continue to become more rigid.

This does not mean, however, that farmers have no further opportunity to reduce costs. Many farmers have not yet made full use of available technical knowledge; they can make further adjustments over the years to improve production efficiency. In the longer run a larger volume of output per worker is of primary importance. A continued increase in the size of farms will help much to increase labor efficiency and reduce farm costs.

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Herbert C. Fowler
and James Vermeer
Agricultural Research Service

Outlook For Farm Commodities

Meat Animals

THE MEAT ANIMAL industry, as a whole, will show no great changes next year. Hog production is expanding but cattle numbers now seem to be on a downswing. These opposite trends offset each other, and the industry as a whole will show no great changes.

The supply of meat for consumers will remain large. Prices of cattle are not expected to differ much from this year. Prices of hogs will stay below their highs of last spring but will likely average close to the summer-fall prices of this year. Compared with some of the cash crops, returns from livestock in 1955 will be reasonably favorable, even though not equal to best years of the past.

Cattle numbers were increased rapidly for several years beginning in 1949. The expansion slowed in 1953 and apparently stopped this year. The 39½ million cattle and calves being slaughtered in 1954—a new high, 8 percent above last year and 52 percent above 1951—are more than the number produced. The cattle inventory at the beginning of 1955 is expected to be down a little from 1954.

Most of the expected inventory reduction will be in yearling steers and heifers. Numbers of cows are not expected to increase but any reduction will be small. In view of the prospec-



These Summary Statements on the various farm commodities were written by the following Agricultural Marketing Service analysts:

Meat Animals, Harold Breimyer

Eggs and Poultry, Edward Karpoff

Feed, Malcolm Clough

Dairy Products, Herbert Kiesel

Oilseed and Peanuts, Sidney Gershben

Cotton, Frank Lowenstein

Wool, Albert M. Hermie

Fruit, Ben H. Pubols

Vegetables, Harry Sherr

Wheat, Robert Post

Food, Marguerite C. Burk and Harry Sherr

Tobacco, Arthur G. Conover

If you want further details on any of these commodities, please write to the appropriate analyst. Address: Agricultural Marketing Service, Agricultural Economics Division, U. S. Department of Agriculture, Washington 25, D. C.

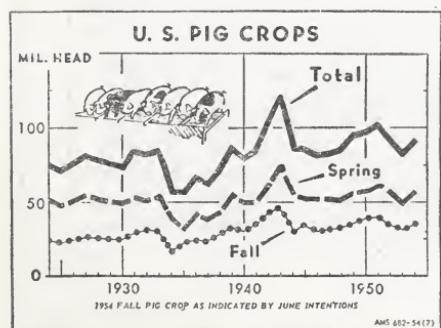


tive inventory, the calf crop next year probably will decrease a little but not greatly.

This slow shrinkage of the cattle industry promises that cattle prices will eventually strengthen. However, in all previous cycles there has been a period when net sale of cows out of herds kept current cattle slaughter high and delayed the upturn in prices. Such a period seems to be occurring now. Enough cows may be slaughtered in 1955 to keep total cattle slaughter nearly as large as this year and to prevent much of an increase in prices. However, the actual size of total slaughter next year will depend on the weather. If ranges and pastures should be improved, fewer cattle would go to slaughter and prices would average higher. Renewed drought, on the other hand, would add to the rate of selling and depress prices.

Prices for fed cattle next spring are expected to be about as high as this year. Because higher prices have been paid for feeder stock this fall, profits in feeding will be less than in 1954, when they were above average. Prices of cows and all grass cattle in 1955 will again be substantially below prices of the upper grades.

The pig crops of 1954 are 12 percent larger than those of 1953, which were a 13-year low. Where the corn harvest



this fall is large, another increase in pigs saved is expected next year. Where drought reduced corn yields, hog production will decline. The net change may be about a 2- to 5-percent increase in the number of spring pigs.

Supplies of hogs for slaughter next spring, reflecting more pigs saved in 1954, will be up considerably from last spring. Prices at that time will be much below the record highs set in April of 1954. Slaughter next fall will be only a little above this fall and prices are expected to be fairly close to those of this fall. For 1955 as a whole, prices of hogs will average moderately below this year. They will be in about an average relation to the price of corn, affording about average profits in hog production.

Prices of lambs fluctuated widely in 1954, rising \$5.50 per 100 pounds from early winter to early spring and then declining even more during the spring and summer. Sheep numbers are probably being reduced slightly this year. The smaller slaughter supply of lambs in prospect may prevent big variations in lamb prices next year. No sizable improvement is likely, however,

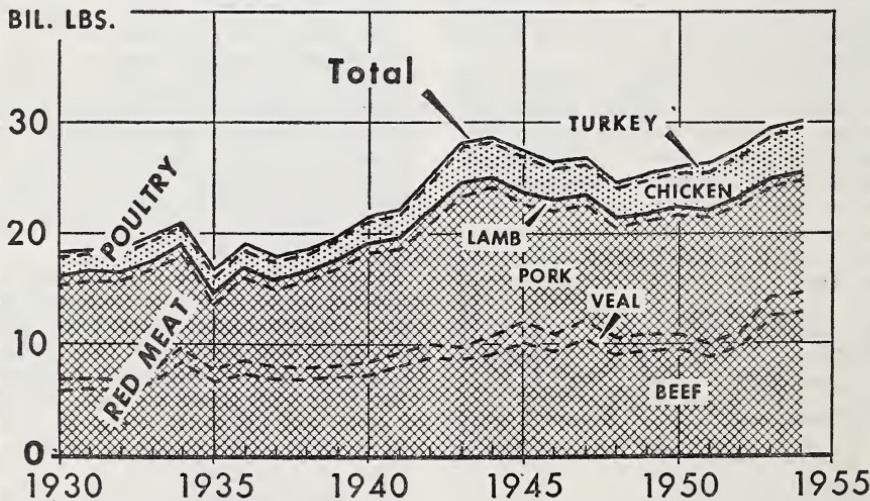
since supplies of beef will remain very large. Returns from wool will be higher next year. Wool is to be supported at 62 cents a pound, in an arrangement whereby producers will be paid direct payments to make up any difference by which the United States average price falls short of that support level.

Eggs and Poultry

THE LARGE NUMBERS of laying chickens, broilers, and turkeys which were on farms in the fall of 1954 indicated large supplies of poultry products for some months to come. With continued large supplies, any substantial price recovery for these products is likely to be deferred until there is an adjustment in production.

Because the number of potential layers on farms October 1 was 4 percent above a year earlier, a large laying flock is assured until well into 1955, and egg production will accordingly continue at a high level. However, replacement pullets from the 1955 springtime hatch may be fewer, and the laying flock population may be af-

RED MEAT AND POULTRY MEAT PRODUCTION



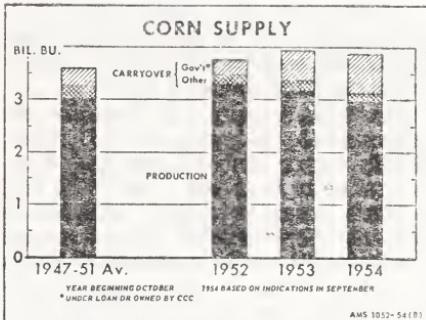
fected accordingly by late summer, 1955. The prospective smaller number of layers on hand at that time might offset the increased rate of lay per bird usually noted at that season, and monthly egg production then may be at or below year-earlier (1954) levels, a circumstance which last occurred in May 1953.

Egg production in 1954 is a prospective record, with output to October 1 running 4 percent ahead of 1953, and with production in the remaining months of the year likely to exceed last year by an even wider percentage margin. Egg production has been record high each successive year since 1950, and consumption is expected to average 412 eggs per person this year. Farmers' prices in January-September averaged 37.5 cents per dozen, compared with 46.5 cents in the same period of 1953.

Present turkey marketings are from the record 1954 crop of 61 million birds, 9 percent more than in 1953. Prices are 5 cents below last year—27.5 cents per pound (live) as the mid-September average price received by farmers—and the result may be a somewhat reduced output in 1955.

Production of broilers may expand further in 1955, although much more slowly than the 22 percent average rate of the past 5 years. Broiler prices averaged 24.0 cents in the first 9 months of 1954, against 27.6 cents a year earlier, and the price is likely to continue near the 1954 level unless production is adjusted downward. However, the industry has the facilities for growing a large output, and specialized financing arrangements within the industry encourage continued large production.

In the past 10 or 20 years the poultry industry has gradually adopted cost-cutting innovations in production methods. These innovations are based on advances in genetics, nutrition, and disease control, as well as in other phases of poultry management. They have held down the increases in poultry production costs to a level lower than would be indicated by increases since prewar in feed and labor prices. However, even with these cost-cutting innovations, 1954 has been a less favorable year to poultymen than any other recent year.



Feed

THE 1954-55 FEED SITUATION is similar in many respects to that of last year. Total feed supplies are again ample but again they vary sharply between areas. Record supplies of feed grains are on hand in the Corn Belt, but supplies are very short in many areas of the South. Although feed prices also will vary considerably by areas, the general level of prices is expected to average somewhere near the 1953-54 level.

Total supplies of feed concentrates are estimated at 178 million tons, 6 million tons more than in the 1953-54 season, and near record. Since farmers are increasing hog production, the 1954-55 supply per animal unit is about the same as last year, but slightly above the 1947-51 average. If the rate of feeding per animal unit in 1954-55 is about the same as the 1947-51 average, the supply would be sufficient to meet 1954-55 requirements and leave a carryover into 1955-56 nearly equal to the record of this year. Because of the large carryover in prospect in 1955-56, an average growing season would result in above average feed supplies again next year.

The corn supply of 3,868 million bushels is about 78 million bushels smaller than in 1953-54. While the carryover of corn was larger than last year, the 1954 crop of 2,950 million bushels was 227 million bushels smaller. The crop is expected to fall somewhat below total requirements and the carryover on October 1, 1955, probably will be below the record of this year. Corn prices are expected to rise later in the 1954-55 marketing year, as "free" supplies become tight, and probably will average higher than in 1953-54.

Supplies of oats, barley, and sorghum grains are all much larger than in 1953-54, and larger stocks of these grains are expected next year.

The total supply of high-protein feeds for 1954-55 is expected to be only slightly larger than in 1953-54. Production of soybean cake and meal will be much larger, but this is expected to be nearly offset by much less cottonseed meal and dried milk products available for feed. Soybean meal prices probably will average lower than in 1953-54, and cottonseed meal prices higher.

Hay supplies are again generally ample in the northern part of the country, but are very short in most of the area from Colorado and Texas east to the Atlantic coast. Furthermore, pastures have been about the poorest this past summer and fall since the drought years of the mid-thirties. This has resulted in the feeding of more hay and other feeds than usual early in the season.

Dairy Products

DAIRY FARMERS in 1955 will face about the same level of prices and costs as experienced in the last 9 months of 1954. With average weather, they will produce and sell about the same quantity of milk and cream in 1955 as in 1954. Net returns from the dairy enterprise will be essentially the same as in recent months, except for those farmers who have had heavy expenditures for feed in drought areas.

Farmers will start 1955 with about as many cows as a year earlier. Rate of output per cow for 1955 as a whole probably will be near the 1954 level. Lower dairy prices relative to feed and other products will tend to hold down rate of milk output per cow and tend toward some reduction in number of cows. In 1955, however, it is likely that the dairy enterprise will be emphasized by some farmers in an effort to utilize their resources more fully and to maintain the level of their total cash receipts. Larger supplies of roughages will be available in many areas in 1955 if the weather is normal. On balance, it appears that total milk output in 1955 will about equal the record of 124 billion pounds in 1954. Output in 1953 was 121 billion and in 1952, 115 billion.

Consumption per capita of dairy products in the United States apparently shows some increases in 1954 in response to lower retail prices. But little further change is likely since consumer incomes and retail prices are not likely to change much through 1955. Even if consumption per person does not rise, the increase in population will bring total domestic use of milk to a little over 120 billion pounds, compared with 118.5 billions in 1954. Consequently the surplus of milk products in the year ahead will be much smaller than in either of the past two years.

As long as there is a surplus, of course, prices of milk and butterfat will continue at support levels. Continuation of supports at 75 percent of parity will mean about the same price for butterfat as in recent months. The support price for manufacturing milk could be reduced slightly as a result of a routine change in computation of parity equivalent. This change also would affect prices paid by distributors for fluid milk in some city markets, but by and large this would cause little change in price of such milk.

The United States average price received by farmers for milk in 1954 will be about \$4.00 per 100 pounds compared with \$4.32 in 1953 and \$4.85 in 1952. The butterfat price in 1954 will average about 58 cents per pound compared with 66 cents in 1953 and 75 cents in 1952. Gross receipts from the sale of dairy products in 1955 probably will be a little below the 4.2 billion dollars of 1954 as compared with 4.4 billion in 1953 and 4.6 billion in 1952.

Oilseeds and Peanuts

PRODUCTION OF SOYBEANS this year is at a record level. Adverse weather cut yields below average but the acreage harvested for beans was at peak, primarily reflecting a shift from corn, cotton, and wheat, which are under allotment programs.

The export market has become an increasingly important outlet for U. S. soybeans. A record quantity was shipped in the last crop year and a further increase—to about 50 million bushels—is expected in the 1954-55 marketing season.

Last year, prices to farmers for soy-

beans trended upward from \$2.41 per bushel in October to a peak of \$3.55 in May, reflecting a short crop and peak exports. Prices later in this marketing year may increase somewhat above the mid-October level of about \$2.50 per bushel, primarily because of an expected increase in meal prices. The rise, however, is not likely to be nearly as great as last year's upward movement.

Output of cottonseed in 1954 is down about 25 percent from a year ago, reflecting a sharp cut in cotton acreage and some decline in yields. Acreage allotments are in effect this year for the first year since 1950.

Prices received by farmers, so far this marketing year, have been around \$60 per ton, above support and well above last year's level. Prices are expected to average near this level. Meal prices are higher than a year ago and will remain higher as they trend upward through most of the marketing year. Oil prices now are slightly lower and linter prices are about the same as a year earlier.

Although the 1954 flaxseed crop has deteriorated substantially since July 1, it is still well in excess of estimated commercial use. About 25 percent of the crop probably will be taken over by the Government as a price-supporting operation. Prices to farmers this marketing year will average around support and will be considerably lower than last year.

Production of 1954 crop peanuts is estimated at 1.1 billion pounds, down more than 30 percent from a year ago. Adverse weather sharply reduced yields. A crop of this size would be less than estimated food and farm uses, and stocks probably will be reduced to a

minimum. About the only peanuts likely to be crushed will be those which do not meet the standards for other uses. Prices during the remainder of the 1954-55 marketing year are likely to rise above support and average higher than a year earlier.

Cotton

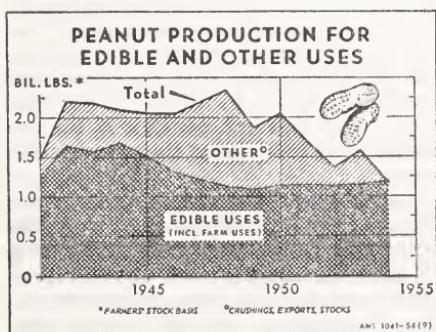
CARRYOVER of cotton in the United States on August 1, 1955, is expected to be about 8.5 million bales compared with 9.6 million a year earlier. The reduction is because of the larger disappearance expected in the 1954-55 marketing year, since the current season's supply is about the same as in 1953-54.

Disappearance in 1954-55 is estimated at about 13.7 million bales, compared with 12.4 million in 1953-54. The 1954-55 disappearance includes estimated domestic mill consumption of about 9.2 million bales and estimated exports of approximately 4.5 million.

Domestic mill consumption in 1954-55 is expected to be about 600 thousand bales larger than that of 1953-54 because of some increase in purchases of textiles by the military forces and because of an increase in unfilled orders for gray goods in recent months. Exports in the 1954-55 marketing year are expected to be about 700 thousand bales larger than in 1953-54. The increase is expected primarily because of small stocks abroad at the start of the season and a relatively high level of foreign cotton consumption. Foreign free-world stocks on August 1, 1955, are expected to be slightly above a year earlier. Despite the expected increase of about 1 million bales in foreign free-world cotton production, foreign free-world supplies in 1954-55 will probably not be adequate to meet requirements without larger imports from the United States.

The supply of cotton in the United States in 1954-55 is estimated at about 22.2 million bales, approximately the same as in 1953-54. This year's crop is about 3.9 million bales smaller than the 1953 crop but the starting carry-over was up about 4 million bales.

The 1954 crop was estimated as of October 1 at 12.4 million running bales (12.5 million bales of 500 pounds each). This compares with a 1953 crop of 16.3



million bales. The 1954 yield per harvested acre of 311 pounds is about 13 pounds below the 1953 record but is above the upward trend in yields which has prevailed since the mid-1920's.

On October 14, the Secretary of Agriculture announced the 1955 marketing quotas of 10 million bales for upland cotton and 30 thousand bales for extra-long staple cotton. These are the minimum quotas for the 1955 crops permitted under current legislation. The national acreage allotments for 1955 are 18.1 million acres for upland cotton and 46 thousand for extra-long staple. This compares with about 20 million acres in cultivation on July 1, 1954 and the 1954 acreage allotments of 21.4 million.

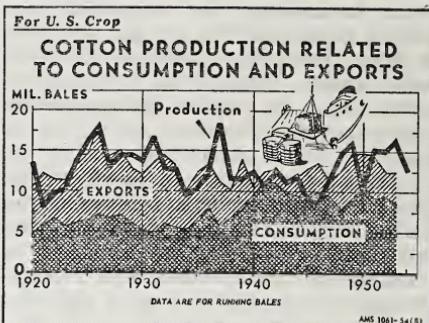
On September 15, the Secretary announced an initial set-aside of 1 million bales for upland cotton. The set-aside will be increased to 3 million bales at a later date. The Agricultural Act of 1954 specifies that a minimum of 3 million bales shall be eventually placed in the set-aside which shall be excluded from the supply when computing the price support level for upland cotton.

Cotton prices increased in September after dropping slightly in August, but declined slightly in October. The average 10 spot market price for Middling, 15/16 inch cotton was 34.42 cents per pound in July, 34.19 cents in August, 34.50 cents in September, and 34.19 cents on October 19. On October 19, 1953, the average 10 spot market price was 32.63 cents. Since the start of the 1954-55 marketing year (August 1, 1954) prices have been quoted at 14 official spot markets. The 14 spot market average has been slightly below the 10 spot market average.

Wool

WORLD SUPPLY of wool for the 1954-55 season is expected to be slightly larger than for 1953-54. An increase of about 1 percent in production is forecast. Indications are that total world stocks were about the same as a year earlier.

The annual rate of world consumption during the second quarter of this year was about one-tenth below that of a year earlier but slightly above that of the first quarter. It was lower than the production forecast for 1954-55.



Consumption during the last half of 1954 is likely to exceed the first half and the total for 1955 may be above 1954.

Domestic growers' gross returns from wool are expected to be up somewhat next year. Market prices received for shorn wool during the 1955 season (April 1, 1955-March 31, 1956) probably will average nearly the same as for this year. However, the average return per pound is expected to be somewhat larger. It has been announced that the national average support level will be 62 cents per pound, grease basis, to the grower. If necessary, payments will be made to producers to bring the average return per pound (market price plus payment) up to the average support level. Indications are that prices received this season are likely to average slightly above the current average support level of 53.2 cents. The National Wool Act of 1954 also provides for support for pulled wool at such level as will maintain normal marketing practices. Support for pulled wool will be effected through payments on marketings of live sheep and lambs.

Combined output of domestic shorn and pulled wool next year probably will be a little lower than this year. The relationship of sheep and lamb slaughter to inventories this year suggests that there will be fewer sheep and lambs on farms and ranches at the beginning of next year than early this year.

Use of wool by domestic mills during the early months of this year was substantially below last year. The rate of mill consumption of apparel wool during January-August was down almost one-third and of carpet wool

almost one-fifth from a year earlier. The rate of apparel wool consumption has improved somewhat from the relatively low level of late 1953 and early 1954. However, total mill use of apparel wool this year is expected to be lower than last year but probably by a smaller percentage than early this year. It now appears quite likely that it will be the lowest in almost 15 years.

With economic activity and consumer purchasing power likely to continue at about present levels, mill use next year probably will be up a little from this year. The relatively low rate of mill use late last year, the lowest for that time of year since 1937, and early this year reflected in part a reduction in inventories of wool products in manufacturing and distribution channels to better working levels.

Fruit

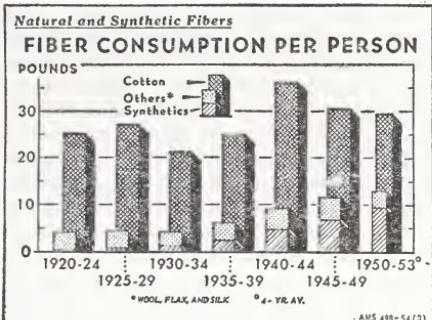
DEMAND FOR FRUIT in 1955 is likely to be at least as good as in 1954. Consumer income here at home will continue favorable, and export demand is expected to be stronger.

Supplies of materials used in producing fruit, such as fertilizer, pesticides, and containers, are expected to be adequate for the 1955 crops. Prices for these items are likely to be about the same as in 1954. Farm wage rates probably will be slightly lower. Cost rates for other items may not be greatly different.

Total production of deciduous fruits in 1955 probably will be somewhat larger than in 1954, if the weather is favorable. With better weather, larger crops of apricots, cherries, plums, fresh prunes, and grapes can be expected in 1955.

In 1955, production of pecans may be much larger than the short crop this year. But the almond, filbert, and walnut crops may not be as large as in 1954. The total tonnage of these four tree nuts, however, probably will be larger.

Record production of oranges and heavy crops of other citrus fruits seem probable in the 1954-55 season now beginning. Larger crops of oranges are in prospect in all citrus States. Although the new grapefruit crop is larger in Texas and Arizona, it is much smaller in Florida, resulting in a



slightly smaller total production. Prices for oranges in 1954-55 probably will average lower than last season. But those for grapefruit may average about the same.

Much of the increased production of oranges in 1954-55 probably will be processed, chiefly into frozen orange concentrate. This would mean a further increase in pack, which set a new record in 1953-54. The 1954-55 pack of canned citrus juices may be about as large as in the season just closing.

The 1954 deciduous fruit crop is about 1 percent larger than the 1953 crop but 7 percent smaller than the 1943-52 average. From the 1954 crops, somewhat larger supplies of apples but smaller quantities of pears probably will remain for marketing during the next 6 to 8 months than a year earlier.

The 1954-55 packs of canned and dried fruits are expected to be a little smaller than the 1953-54 packs. Production of frozen deciduous fruits in 1954 also is smaller. Total supplies of fresh and processed fruits in the 1954-55 season probably are about as large as in 1953-54.

Vegetables

OUR CIVILIANS will want to continue to eat as much fresh, canned, and frozen vegetables per person as in 1954, and their incomes will permit them to do so. Commercial growers are expected to plant at least as many acres to vegetables in 1955 as a year earlier. So, if weather and other growing conditions are average, production next year should be somewhat higher than in 1954.

A larger commercial crop of vege-

tables in 1955 is expected both for those produced primarily for fresh market sale and those for processing. For the fresh market vegetables in general, with consumer demand likely to be close to that in 1954, a moderate increase in output probably will mean lower average prices received for these commodities. In the past, annual production and the season average farm price have generally moved in opposite directions. For the processing crop, however, with total supplies smaller than in 1953-54, if the movement of the canned and frozen vegetables into consumption channels during the next few months is at least on a par with that of a year earlier, processors are likely to seek a heavier tonnage next year. Since a large part of the total vegetables grown for commercial processing is contracted for in advance of the planting season, increased production probably will mean somewhat higher farm prices than in 1954.

Potato supplies until early next spring are expected to be somewhat smaller than a year earlier. The late 1954 crop is estimated at 4 percent smaller than that produced in 1954 and present indications point to a smaller potato crop for harvest this winter than last. Farm prices during the next 4 or 5 months are expected to average much higher than the very low ones received during the fall of 1953 and winter of 1954. This should not mislead farmers into overextending their potato acreage in 1955. Even a moderately heavier output next year compared with 1954 could mean much lower prices.

Sweetpotato prices probably will be relatively firm well into next year, and for the marketing year as a whole are expected to average higher than those received for the 1953 crop. The 1954 sweetpotato crop was 15 percent less than that of the preceding year, and was the second smallest since 1881. Prices received for 1954-crop sweetpotatoes may encourage commercial growers to increase their planted acreage next year, but the danger of over-expansion does not appear to be as great as for potatoes.

Supplies of dry edible beans in 1954-55 will be about as large as a year earlier, and those of dry peas much larger. Exports of dry beans are expected to

be lower than in 1953-54, but those of dry peas may be up substantially, especially if the broad and strong foreign demand which developed recently, continues. Current indications point to farm prices for 1954-crop beans about as large as for those from the 1953 crop, but somewhat higher prices for dry peas if exports are heavy. Total domestic use of both commodities during the present marketing year is expected to total a little larger than in 1953-54.

Wheat

THE BUILD-UP in carryover stocks of wheat is expected to be materially slowed down in 1954-55 and probably stopped in 1955-56, on the basis of present prospects. As the result of acreage allotments and marketing quotas, production was reduced from 1,169 million bushels in 1953 to an estimated 959 million in 1954, and may possibly be reduced another million bushels or more in 1955. Even with these reductions in production, however, the carryover July 1, 1956, may still be 900 million bushels or more, equal to a year's production.

If the acreage seeded for the 1955 crop approximates the national allotment of 55 million acres and if yields equal the 1943-52 average, a crop of about 850 million bushels would be produced in 1955. It is too early to assume other than average yields. Domestic disappearance is not expected to differ much from the 660 million bushels estimated for 1954-55. If exports amount to 250 million bushels, considered an optimistic estimate for 1954-55, disappearance would total about 910 million bushels, in excess of an 850 million crop, which would mean a reduction in the carryover by July 1, 1956, from the possible 960 million bushels projected for July 1, 1955.

Because of very large supplies of wheat again expected to be placed under support levels, prices in 1954-55 and 1955-56 will continue to be maintained by the support programs.

Prices to growers for the 1955 crop will be supported at not less than \$2.06 per bushel. This is 82½ percent of the August parity price for wheat, and 18 cents below the loan of \$2.24 for the 1954 crop. Support rates for wheat produced in the commercial area will

reflect the full national support level. In the newly designated 12-State non-commercial wheat area, wheat will be supported on the basis of 75 percent of the full support level.

A recent development has been the announcement of the elimination from the program of the "total acreage allotment" provision with respect to the use of acres diverted from wheat and other crops which was to have gone into effect for 1955 crops.

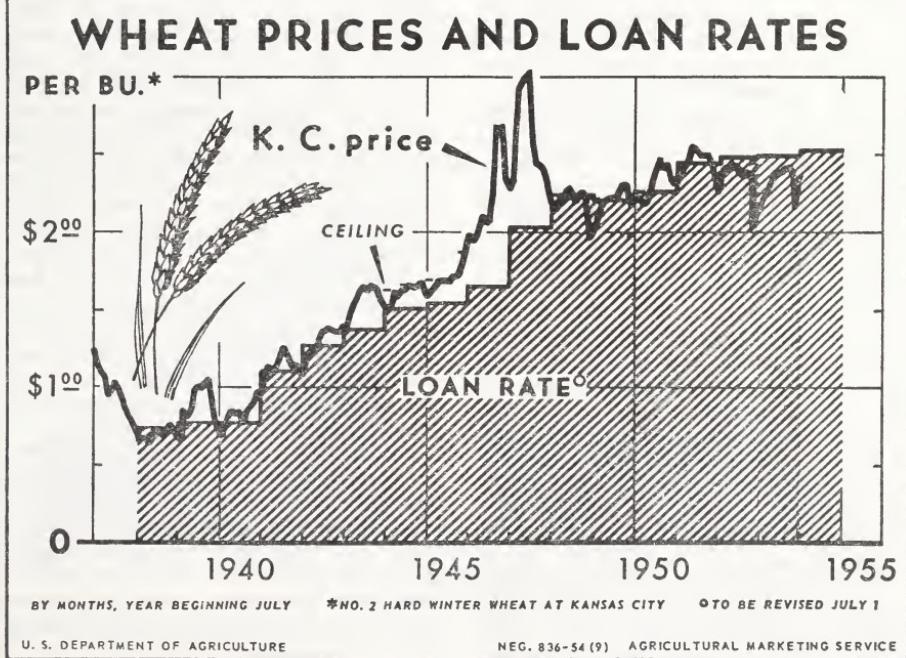
No change was made in the cross compliance requirement. Under the latter, a producer must comply with all individual crop allotments in order to be eligible for price support on any crop.

Other changes which have been made which affect wheat producers in 1955 are: (1) A producer with a wheat allotment of less than 15 acres who exceeds his wheat allotment but does not plant more than 15 acres will still be eligible for price support on other crops if he stays within all other allotments, even though he is not eligible for wheat price support. (2) In order to be eligible for any price supports in 1955, harvested acreage of vegeta-

bles, potatoes, and sweet-potatoes (for the fresh market or processing), must not exceed the average acreage of these crops planted for harvest on the farm in 1952 and 1953. (3) Compliance with all basic crop allotments, including the wheat allotments of less than 15 acres, will be a condition of eligibility for ACP assistance.

Tobacco

DEMAND for most tobacco is expected to continue firm in 1955. Although cigarette consumption declined some further this year, after falling a little below the 1952 record last year, the 1955 output is expected to stay within the range of the last few years. The 1954 estimate is 413 billion cigarettes—2 or 3 percent less than in 1953. King size and filter tips have gained and are likely to account for an even larger proportion in 1955. Cigar consumption in 1954 is estimated at close to 6 billion—a little less than in 1953—and probably will again be near this level in 1955. The 1954 output of smoking tobacco (for pipes and roll-your-own cigarettes) and chewing tobacco may approach 84

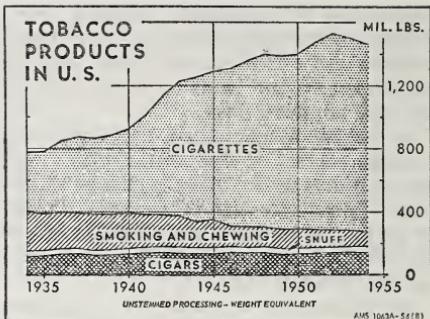


and 82 million pounds, respectively. Both are below last year and the lowest this century. Little change in these products is expected in 1955 although the down trend in chewing tobacco is likely to persist in the years ahead. Snuff output at about 39 million pounds this year may slightly exceed 1953 and probably will remain stable in 1955.

Exports of unmanufactured tobacco, accounting for around one-fourth of total production, will probably increase moderately in 1954-55. The estimated 1953-54 exports at 515 million pounds (farm-sales weight) were 4 percent above 1952-53. The gold and dollar position of several important tobacco importing countries has improved. In several countries, tobacco consumption increased some in the past year, and more United States tobacco is needed to provide stocks in line with consumption requirements. Recent legislation authorizing the acceptance of foreign currencies for sales in excess of usual marketings should benefit tobacco exports. But United States tobacco is facing increasing competition because of the sharp upswing in foreign production.

The flue-cured tobacco crop is about 6 percent larger than last year, when production in the Old Belt was hard hit by drought. Carryover is larger and the 1954-55 total supply at about 3 3/4 billion pounds is 4 percent above 1953-54. Domestic use of flue-cured dropped off in the year ending with June 1954, primarily because of the smaller cigarette output. Cigarette prices have been above previous years with a considerable range among States due to different State tax levies. Consumer incomes, though high for the country as a whole, were lower for some groups, communities, and industries. The considerable publicity concerning cigarettes and health is often cited as adversely affecting consumption. Another factor may be the decline in the number of persons aged 20 to 39, although this was offset by the increase in persons in the older age brackets. Probably a smaller percentage in the older age brackets smoke cigarettes and they may smoke less.

The 1954 Burley crop at 566 million pounds is little different than in 1953 despite 6 percent fewer acres. The carryover is up some from a year ago



and the 1954-55 total supply is about 2 percent larger than in 1953-54. The 1953-54 Burley exports were the largest in 4 years.

The continental cigar filler and binder crops are larger this year than last, despite losses due to hail and hurricane in the Connecticut Valley. Production in Wisconsin and Pennsylvania is larger than a year ago. The total supply for 1954-55 is smaller than for 1953-54 due to the reduction in carryover.

The 1954 Government price supports for eligible types are about the same as in 1953. The Secretary of Agriculture will announce 1955 marketing quotas and acreage allotments by December 1. The 1955 crops of flue-cured, Burley, and cigar filler and binder (types 42-44 and 51-55) will continue to be supported at 90 percent of parity and for Virginia sun-cured, at 66 2/3 percent of the Burley support level. Marketing quotas for these tobaccos were approved in previous years' referenda. Growers of several other types will vote this year either in favor of quotas for the next 3 years, 1 year, or to reject quotas. If quotas are approved, the 1955 supports for fire-cured and dark air-cured will be at 75 and 66 2/3 percent of the Burley loan level and for Pennsylvania filler and Maryland, at 90 percent of parity as provided by law.

For fire-cured and dark air-cured, lower carryovers but larger crops than last year are indicated. The 1954-55 total supply for fire-cured is a little lower and, for dark air-cured, about the same as 1953-54. The 1954 Maryland crop is smaller than last year's but the carryover was up a little

(Continued on page 22)

The Financial Outlook For Agriculture

TOTAL ASSETS of American agriculture, including the financial assets owned by farmers, amounted to \$159.8 billion on January 1, 1954. This was \$6.9 billion, or about 4 percent, less than a year earlier. The value of these assets at the beginning of the year, however, was higher than in any other year except 1952 and 1953.

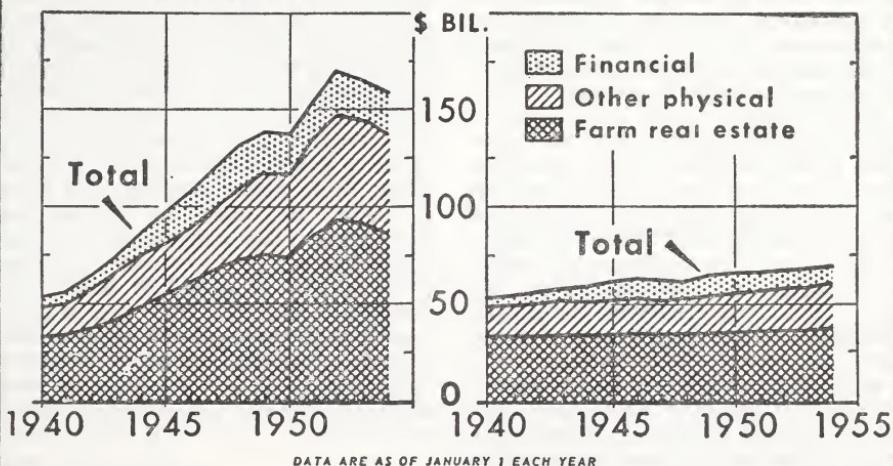
Farm assets reached a peak value of \$170 billion at the beginning of 1952. The decline since that date has been due entirely to decreases of \$7.7 billion in the value of livestock and \$6.1 billion in the value of real estate. All other major asset items showed increases during this period.

In retrospect, it appears that the peak years 1952 and 1953 represented an abnormal bulge in asset values en-

gendered by the Korean crisis. Even at the time, it was clearly recognized that beef cattle prices were abnormally high in relation to other farm commodities and that the subsequent downward re-adjustment probably would occur. Also, during this period, farmland values were known to have increased more rapidly in relation to the rise in farm commodity prices than had been customary in previous upswings of the price cycle. For the time being, readjustments in prices for both beef cattle and farm land appear to have about run their course.

The physical quantity of farm assets changed little in 1953. The number of hogs, horses, mules, and sheep declined, but, because of increased numbers of cattle and poultry, the livestock inventory as a whole on January 1, 1954, was only slightly below the level of a year earlier. No significant change occurred in machinery and motor vehicles on farms or in farmland and buildings. However, crop inventories (including crops under price-support loans) increased nearly 9 percent in 1953, because of continued large production and reduced export markets, and

VALUE OF FARM ASSETS
IN CURRENT DOLLARS IN 1940 DOLLARS



farmers appear to have increased their household furnishings and equipment by about 3 percent. All told, these changes increased the physical assets of agriculture by about 1 percent.

The decline in farm income, which began in 1952 and continued in 1953 and 1954, has had far-reaching effects on the Balance Sheet of Agriculture. It has been one of the basic forces causing the decline in land values. Also, it has strongly influenced farmers' attitudes toward investment in livestock and machinery, toward family expenditures, and toward the handling of debts and financial assets.

Obligations Up a Little

The total farm debt increased to \$17.1 billion on January 1, 1954, from \$16.0 billion a year earlier. This growth in farm debt resulted mainly from an increase of \$1.2 billion in price-support loans of the Commodity Credit Corporation. Other non-real-estate debt of farmers dropped about \$700 million in 1953, but farm-mortgage debt increased about \$500 million.

Non-real-estate debts of farmers are incurred chiefly for items needed in current production. Farmers were able to get along with less production credit in 1953 because costs of feeder cattle and replacement stock declined and because they curtailed expenditures for building materials, tractors, and farm machinery. Part of the decrease in non-real-estate debt probably resulted from refinancing such debt into longer term farm-mortgage debt and from increased use of price-support loans for production purposes.

Farm-mortgage debt continued to grow in 1953 despite a drop in farm-land values and fewer farm transfers. The increase resulted from the fact that buyers of farms reduced the amount of their down payments in cash and a larger proportion of them used credit. Refinancing of non-real-estate debt and a reduction in payments on the principal of mortgage loans also account for part of the increase.

Price-support loans of the Commodity Credit Corporation increased by a record amount in 1953 because of large supplies and lower market prices of the supported commodities.

Because of lower farm asset values and increased farm debts, the equities of farmers and other owners of farm property declined by \$8.0 billion, or about 5 percent, in 1953.

Emergency Credit

Where drought or price declines have made credit conditions particularly difficult, the Federal Government is making emergency loans. During the year ended June 30, 1954, the amount of "production emergency," "economic emergency," and "special livestock" loans made by the Farmers Home Administration totaled about \$93 million—the largest amount of emergency loans made in any one year since the mid-thirties. Emergency lending so far in the current fiscal year also is relatively heavy. By October 1, 1954, 1,551 counties in 33 States had been designated as disaster areas eligible for production emergency loans. In 1,179 of these counties economic emergency loans could be made. Special livestock loans may be made in all areas.

Looking Forward to 1955

Farm debts on January 1, 1955, are expected to show little change from a year earlier. Farm-mortgage debt continues to increase in 1954; by the year-end it may have increased as much as \$0.5 billion. Price-support loans of farmers, made or guaranteed by the Commodity Credit Corporation, are expected to be about \$0.3 billion lower than a year earlier, largely because of the smaller crops of cotton and wheat produced in 1954. Other non-real-estate debts of farmers, which are incurred mainly to meet current expenses of crop production and to buy livestock, feed, motor vehicles, and farm machinery are likely, by year-end, to approximate the amount owed at the beginning of 1954. However, these debts will be considerably below the amount owed at the beginning of 1953.

As a result of declining asset values, equities of farmers and other owners of farm properties are expected to drop about \$3.4 billion, or 2.4 percent, during 1954.

Norman J. Wall
Agricultural Research Service

"Bert" Newell's Letter

To Crop and Livestock Reporters

FALL! What a grand season! The biggest events of my life seem to have always come in the fall. Of course, you know, my birthday is in the fall, but there were two other occasions that make me prejudiced toward this season of the year. A wonderful girl became Mrs. Newell in the fall, and I went to work for Agricultural Estimates that same fall.

These two last events occurred 28 years ago, and this year Mrs. Newell and I celebrated by taking two whole weeks off and going on a trip.

Now I'm not going to bore you with all the details, but we did have a wonderful time and I enjoyed tremendously the opportunity to show Mrs. Newell a lot of the country which my work, over the years, had carried me through on several different occasions. Of course, there have been many times when I would have liked to have taken her along on other trips but you mothers know how it is. When there are children at home it is pretty hard to break away for any length of time. For that reason, our vacations, up to now, have been confined to short trips, mostly just to the farm or a day or two in nearby areas.

This time we struck off through some of the great Corn Belt, then up into the lake regions of Wisconsin and Minnesota. From there we covered the Dakotas and into the rugged Black Hills. Then on to the massive Rockies. We spent a few days over on the western slope with my daughter—the one who got married this spring—and her husband, who are both geologists; and we enjoyed their explanation of some of the massive rock formations which they showed us. From there, we turned east and came back across some of the great wheat country of eastern Colorado and Kansas, through Missouri and Illinois, into Kentucky, and then back home through my own Appalachian Mountains. Quite a trip, wasn't it?

One evening after we got back my wife and I were talking about all the

things we had seen, and she said, "You know, the people in every part of all the country we saw on our trip have a great deal to be proud of. Sometimes it's flat, sometimes rolling, and then again awfully rugged, but it all has beauty and interest." That was a nice thought and expresses a point of view which I like. It often happens that we are inclined to dwell on the things we don't like and overlook so many nice things that are all around us.

In a way, that even applies to some of our work. We hear plenty when folks think a report is off, but we are apt to hear very little about the hundred or more that are not. Now we can't go completely "Pollyanna" and close our eyes to all of the things that we know need correcting or improving. But while we are trying to improve, it is refreshing to look up once in awhile and see all of the things that are nice and beautiful that are all around us.

Thanksgiving is just the time of year for that sort of "look-see." We have just about finished up another season. It's had its bad spots, yes, some very bad spots, but it's had some good too. Let's stop and think about all the things we have to be thankful for. Maybe it will "even up" on some of the worries and bothers we all have. In every way I truly think this land of ours is "America the Beautiful." I hope you will have a happy Thanksgiving.

S. R. Newell, Chairman
Crop Reporting Board, AMS

Glad To Hear From You—

DO YOU FIND the articles in this magazine of help to you? How can we make the *Agricultural Situation* more helpful? Is there some farm subject you would like to have us cover? Tell us just what you want explained and we will see what can be done about it. Please feel free to write to us at any time. Address: The Editor, *Agricultural Situation*, AMS Information, U. S. Dept. of Agriculture, Washington 25, D. C.

from last year. Prices for the 1954 Maryland crop and the Pennsylvania filler crop will not be supported since quotas were rejected.

Food

SUPPLIES of food in prospect for 1955 are expected to be record large, and will provide civilians with as much food per person as in the present year. Retail food prices next year are expected to average close to those in 1954.

The quantity of food marketed and consumed on farms where produced is expected to total about as large as in 1954. The number of livestock now on our farms and ranches point to a con-

tinued heavy flow of meat, milk and other dairy products, eggs, and poultry into consumer markets. Similarly, if weather is more nearly normal, food crops in 1955 also will be large. Imports of food from abroad will supplement those which we will produce, but will continue to be relatively small in terms of total domestic supplies.

The total volume of food moving into noncivilian channels may be somewhat larger than during 1954. Unless the international situation worsens, the quantity of food taken by military agencies in 1955 probably will total substantially the same as in 1954. Food exports are expected to be up some next year. Foreign supplies of some foods are smaller than they were a year

(Continued on page 24)

Prices of Farm Products

[Estimates of average prices received by farmers at local farm markets based on reports to the Agricultural Marketing Service. Average of reports covering the United States weighted according to relative importance of district and State]

Commodity	Average					Effective parity prices Oct. 15, 1954 ²
	Base period price ¹	January 1947-December 1949	Oct. 15, 1953	Sept. 15, 1954	Oct. 15, 1954	
Basic commodities:						
Cotton, American upland (pound).....cents..	\$ 12.4	31.21	32.46	34.55	34.67	34.60
Wheat (bushel).....dollars..	4.884	2.14	1.94	2.07	2.08	2.47
Rice (cwt.).....do..	1.94	5.38	5.40	4.04	4.47	5.41
Corn (bushel).....do..	* 642	1.64	1.34	1.53	1.45	1.79
Peanuts (pound).....cents..	4.8	10.2	10.9	11.4	11.6	13.4
Designated nonbasic commodities:						
Butterfat in cream (pound).....do..	26.5	71.2	65.7	55.8	56.9	73.9
All milk, wholesale (100 lb.) ⁶dollars..	1.68	4.42	4.61	4.12	7.433	4.69
Wool (pound).....cents..	* 20.9	46.0	53.9	52.8	52.2	58.3
Other nonbasic commodities:						
Barley (bushel).....dollars..	.484	1.37	1.12	1.05	1.08	1.35
Cottonseed (ton).....do..	25.50	71.60	52.40	61.60	60.20	71.10
Flaxseed (bushel).....do..	1.60	5.54	3.51	3.04	3.05	4.46
Oats (bushel).....do..	.311	.852	.727	.711	.731	.868
Potatoes (bushel).....do..	* .535	1.48	.804	1.16	.932	1.49
Rye (bushel).....do..	.605	1.82	1.15	1.25	1.20	1.69
Sorghum, grain (100 lb.).....do..	* 1.21	2.53	2.19	2.16	2.14	* 2.54
Soybeans (bushel).....do..	1.00	2.84	2.41	2.51	2.54	2.79
Sweetpotatoes (bushel).....do..	.988	2.36	2.33	2.36	2.12	2.76
Beef cattle (100 lb.).....do..	7.50	20.20	14.60	16.10	15.80	20.90
All chickens (pound).....cents..	10.6	29.3	23.4	19.2	17.5	29.6
Eggs (dozen).....do..	16.6	46.6	53.2	33.8	32.4	46.3
Hogs (100 lb.).....dollars..	7.34	21.90	21.30	19.70	18.40	20.50
Lambs (100 lb.).....do..	8.16	21.90	16.60	17.80	17.60	22.80
Calves (100 lb.).....do..	8.28	22.60	13.80	15.80	16.00	23.10
Oranges, on tree (box).....do..	* 2.29	1.23	11 1.16	3.02	1.98	* 3.06
Apples, for fresh use (bushel) ¹⁰do..	1.00	2.39	2.84	3.02	2.81	2.79
Hay, baled (ton).....do..	* 11.87	22.40	21.20	22.00	22.30	* 24.80

¹ Adjusted base period prices 1910-14 used for computing parity prices. Derived from 120-month average January 1944-December 1953 unless otherwise noted.

² Parity prices are computed under the provisions of title III, subtitle A, section 301 (a) of the Agricultural Adjustment Act of 1938 as amended by the Agricultural Acts of 1948 and 1949.

³ 60-month average, August 1909-July 1914 for all cotton.

⁴ 60-month average, August 1909-July 1914.

⁵ Adjusted base period price 1910-14 derived from 10-season average prices 1944-53.

⁶ Prices received by farmers are estimates for the month.

⁷ Preliminary.

⁸ 10-season average 1919-28.

⁹ Transitional parity, 75 percent of parity price computed under formula in use prior to Jan. 1, 1950.

¹⁰ Prices prior to July 1954 include some processing.

¹¹ Revised.

Economic Trends Affecting Agriculture

Year and month	Industrial production (1947-49 = 100) ¹	Total personal income payments (1947-49 = 100) ²	Average earnings of factory workers per worker (1910-14 = 100) ³	Wholesale prices of all commodities (1910-14 = 100) ³	Index numbers of prices paid by farmers (1910-14 = 100)			Index numbers of prices received by farmers (1910-14 = 100)			
					Commodities		Wage rates for hired farm labor ⁴	Commodities, interest, taxes and wage rates	Livestock and products		
					Dairy products	Poultry and eggs	Meat animals	All livestock			
1910-14 average			100	100	100	100	100	100	100	100	100
1925-29 average	53	232	143	151	184	161	161	155	145	152	
1935-39 average	54	34	199	118	124	121	125	119	110	117	116
1947-49 average	100	100	462	225	240	430	250	275	229	334	292
1950 average	112	112	515	232	246	425	256	249	186	340	280
1951 average	120	126	563	258	271	470	282	286	228	409	336
1952 average	124	134	593	251	273	503	287	302	206	353	306
1953 average	134	142	624	247	262	513	279	273	221	298	273
<i>1953</i>											
October	132	142	629	248	258	515	276	282	234	273	266
November	129	142	624	247	259	-----	277	288	224	267	263
December	126	142	630	247	260	-----	278	282	218	285	269
<i>1954</i>											
January	125	141	618	249	263	525	282	274	213	309	277
February	124	141	622	248	264	-----	282	267	208	315	277
March	123	141	617	248	264	-----	283	257	188	316	271
April	123	141	612	249	265	507	283	237	178	333	271
May	124	142	620	249	267	-----	284	230	168	331	267
June	124	142	625	247	265	-----	282	229	168	299	251
July	123	141	619	248	263	505	280	237	171	286	247
August	124	141	620	248	264	-----	282	245	178	287	251
September	124	141	626	247	263	-----	280	253	162	277	245
October	124	141	620	247	262	502	279	263	153	267	242

Year and month	Index numbers of prices received by farmers (1910-14 = 100)								All crops and live-stock	Parity ratio ⁶		
	Crops											
	Food grains	Feed grains and hay	To-bacco	Cotton	Oil-bearing crops	Fruit	Commercial vegetables	All crops				
1910-14 average	100	100	100	100	100	100	-----	100	100	100		
1925-29 average	140	118	169	150	135	146	145	143	148	92		
1935-39 average	94	96	172	87	113	91	107	98	108	86		
1947-49 average	246	230	384	264	318	183	249	247	271	108		
1950 average	224	193	402	282	276	194	211	233	258	101		
1951 average	243	226	436	336	339	181	269	265	302	107		
1952 average	244	234	432	310	296	191	274	267	288	100		
1953 average	231	208	429	268	274	206	240	242	258	92		
<i>1953</i>												
October	223	194	439	275	255	189	198	229	249	90		
November	229	195	433	269	263	205	218	234	249	90		
December	230	205	427	260	269	237	224	238	254	91		
<i>1954</i>												
January	233	207	420	254	268	222	271	240	259	92		
February	236	208	443	258	269	210	233	237	258	91		
March	238	208	443	263	275	212	246	239	256	90		
April	234	208	443	267	283	217	225	240	257	91		
May	227	207	446	272	286	215	279	249	258	91		
June	216	205	445	274	283	240	200	244	248	88		
July	225	202	416	272	286	228	243	248	247	88		
August	228	207	430	288	294	235	223	250	251	89		
September	233	210	444	292	276	248	170	247	246	88		
October	235	204	441	293	275	218	191	243	242	87		

¹ Federal Reserve Board: represents output of mining and manufacturing; monthly data adjusted for seasonal variation.

² Computed from reports of the Department of Commerce; monthly data adjusted for seasonal variation.

³ Bureau of Labor Statistics.

⁴ Farm wage rates simple averages of quarterly data, seasonally adjusted.

⁵ Revised.

⁶ Ratio of index of prices received to index of prices paid, interest, taxes, and wage rates. This parity ratio will not necessarily be identical to a weighted average percent of parity for all farm products, largely because parity prices for some products are on a transitional basis.

Outlook For Various Farm Commodities ... Food

(Continued from page 22)

ago at this time. In addition, we are making extra effort to substantially increase exports of wheat and those other foods of which our supplies are very large.

Although civilian consumption of food per person is expected to average substantially the same as in 1954, there probably will be some minor shifts in consumer diets. Some increases in the per capita consumption rate are in prospect for oranges, eggs, chicken, lard, rice, frozen fruits and vegetables. On the other hand, some declines are likely for turkey, potatoes, sweetpotatoes, canned fruits and vegetables, grapefruit, peanuts. For the other major food products—including meats and dairy products—civilian consumption is expected to approximate the corresponding 1954 per capita rates.

The average of retail food prices next year probably will not differ much from the current level unless unfavorable weather affects food production or the international situation deteriorates. Consumer incomes are expected to continue at a high level, at least as high as in 1954, and the demand for food will likely remain strong. Marketing charges for food probably will change little, thus contributing to a stable

level of food prices in 1955. For individual foods, retail prices will vary from season to season, depending on market supplies.

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